

Management Discussion and Analysis (“MD&A”)

The 3rd Quarter and 9-Month of 2015 Operating Performance

of TRC Construction Public Co., Ltd. and Its Subsidiaries

(Unit : Million Baht)

	The 2 nd Qtr 2015	The 3 rd Qtr 2015	The 3 rd Qtr 2014	Change	
				3 rd Qtr 2015-3 rd Qtr 2014	
				Amount	Percentage
Construction services income	927.29	870.89	802.25	68.65	8.56
Cost of construction services	-804.41	-720.70	-613.34	107.36	17.50
Gross profit	122.88	150.19	188.90	-38.71	-20.49
Interest and other income	27.48	34.37	4.35	30.02	689.57
Administrative expenses	-72.17	-102.89	-78.83	24.07	30.53
Profit before share of loss from investment in joint venture, finance cost and income tax expenses	78.19	81.67	114.43	-32.76	-28.63
Share of loss from investments in joint venture	0.00	0.00	7.54	-7.54	-100.00
Finance cost	-1.05	-1.58	-0.57	1.01	176.22
Income tax expenses	-11.14	-18.72	-26.69	-7.97	-29.87
Profit for the period	66.00	61.37	94.71	-33.34	-35.20
Non-controlling interests of the subsidiaries	0.30	1.56	1.19	0.37	31.20
Profit attribute to equity holders of the Company	66.30	62.93	95.89	-32.96	-34.38
Earnings per Share (Baht)	0.02	0.01	0.02		
Gross Profit Margin	13.25%	17.25%	23.55%		
Net Profit Margin	6.94%	6.95%	11.89%		
Debt to Equity (Time(s))	0.86	0.80	0.71		

(Unit : Million Baht)

	The 9-Month 2015	The 9-Month 2014	Change	
			3 rd Qtr 2015-3 rd Qtr 2014	
			Amount	Percentage
Construction services income	2,572.24	2,214.83	357.41	16.14
Cost of construction services	-2,127.31	-1,763.73	363.58	20.61
Gross profit	444.93	451.10	-6.17	-1.37
Interest and other income	68.08	16.49	51.59	312.78
Administrative expenses	-257.94	-236.31	21.63	9.15
Profit before share of loss from investment in joint venture, finance cost and income tax expenses	255.07	231.29	23.78	10.28
Share of loss from investments in joint venture	0.00	5.24	-5.24	-100.00
Finance cost	-3.06	-3.02	0.04	1.46
Income tax expenses	-49.31	-53.40	-4.09	-7.66
Profit for the period	202.70	180.11	22.59	12.54
Non-controlling interests of the subsidiaries	4.24	4.46	-0.22	-4.98
Profit attribute to equity holders of the Company	206.94	184.57	22.37	12.12
Earnings per Share (Baht)	0.04	0.04		
Gross Profit Margin	17.30%	20.37%		
Net Profit Margin	7.84%	8.27%		

Earnings per share was based on par value at Baht 0.125 per share (The change of par registration from Baht 0.50 to Baht 0.125 was done on 6 May 2015.)

The 3rd Quarter of 2015 Operating Performance Summary

1. **Construction services income** recorded at Baht 870.89 million increasing Baht 68.65 million from the same period of last year or representing 8.56% increase. Most revenue was recognized from carried forward projects on hand from previous year and the 1st Transmission Pipeline Life Extension Project 28” Recoating Section awarded from PTT Plc. in this year. The Company has executed and delivered completed works to the customers according to the project schedule.

2. **Gross profit** was Baht 150.19 million decreasing Baht 38.71 million from the same period of last year and increasing Baht 27.31 million from the previous quarter. Gross profit margin was at 17.25% decreasing from the same period of last year which was at 23.55%. The decrease of gross profit was from the increase of cost of services of Sahakarn Wisavakorn Co., Ltd. due to the change order of one project. However, the Company controlled costs better than the previous quarter which its gross margin was at 13.25%.

3. **Administrative expenses and finance cost** was Baht 104.47 million increasing Baht 32.61 million or 45.39% due to exchange losses on import of equipment for projects resulted from the Thai Baht weakened, depreciation of tools and equipment, furniture and office equipment which the Company has invested gradually since the 3rd quarter of 2015.

4. **Profit attribute to equity holders of the Company** was Baht 62.93 million decreasing Baht 32.96 million from the same period of last year or 34.38%. The net profit margin was 6.95%

The 9-Month of 2015 Operating Performance

The 9-month of 2015, the Company and its subsidiaries recorded the services income of Baht 2,572.24 million increasing Baht 357.41 million from the same period of last year or equivalent to 16.14%. Most services income was from TRC accounting for 94% of total services income or Baht 2,415.18 million increasing of 47.23% from last year.

The 9-month of 2015 gross margin was 17.30% decreasing from last year which was at 20.37%. The reason was the same as the lower of 3rd quarter of 2015 gross profit margin.

The 9-month of 2015 net profit attribute to equity holders of the Company was Baht 206.94 million which increase 12.12% representing 7.84% net profit margin or Baht 0.04 earnings per share. While the net profit at the same period of last year was Baht 184.57 million representing 8.27% net profit margin or Baht 0.02 earnings per share.

Backlog on Hand

As at 30 September 2015, the Company and its subsidiaries had projects on hand with the remaining uncompleted works as follows:

	Number of the Projects	Uncompleted Work Value (Million Baht)
TRC Construction Public Company Limited	5	4,916.66
Sahakarn Wisavakorn Co., Ltd.	5	1,705.57
Total	10	6,622.23

Assets, Liabilities and Debt to Equity Ratio

As at 30 September 2015, the Company and its subsidiaries recorded total assets of Baht 4,195.94 million increasing from as at the end of last year Baht 1,565.33 million. Total liabilities were Baht 1,870.90 million increasing Baht 618.00 million from last year. The significant increased assets were property, plant and equipment increasing from Baht 455.00 million to Baht 697.17 million or 53.22% increase. In this year, the company has invested in fixed assets for support increasing works and future business expansion.

Current liabilities increased from Baht 1,203.36 million to Baht 1,682.89 million. The significant increased/decreased liabilities consisted of the followings:

- Advances received from customers under construction contracts increased from Baht 105.93 million to Baht 323.28 million representing 217.89% increase. The increase of advances received from customers was from new awarded projects of Sahakarn Wisavakorn Co., Ltd in this quarter.
- Unbilled payable increased from Baht 337.90 million to Baht 679.53 million representing 101.10% increase. The unbilled payable was from the recognition of cost of construction services according to the completion of works from subcontractors which have not yet been due.
- Unearned construction revenue of Baht 149.40 as at the end of last year decreased all because unearned construction revenue was gradually recognized as services income.

Debt to equity ratio decreased from 0.86 time as at the end of previous quarter to 0.80 time as at 30 September 2015.

Significant Events during the 3rd Quarter of 2015 – Present

- **Issuance of Debentures**

During 7 – 8 July 2015, the Company issued the unsubordinated and unsecured debentures without a debenture holders' representative and are in the name-registered certificate to be offered by way of private placement of Baht 100 million consisting of 100,000 units of debentures at par value of Baht 1,000 per unit at offering value of Baht 1,000 per unit with 2-year maturity at interest rate of 4.68% per annum with quarterly interest payment. Such debentures have been issued since 8 July 2015.

- **Shares Offering by Way of Private Placement**

The 7/2015 Board of Directors' Meeting held on 24 July 2015 approved the allotment of newly issued shares to 16 specific investors in the amount of 330 million shares with a par value of Baht 0.125 per share at the offering price of Baht 2.20 per share. During 27 July 2015 to 5 August 2015, the Company received the proceeds from the payment of share capital total of Baht 726 million. The funds will be used for additional investment in ASEAN Potash Mining Plc. The Company registered these new shares with the Ministry of Commerce on 6 August 2015

- **Additional Investment in APMC's shares**

The 9/2015 Board of Directors' Meeting held on 16 September 2015 approved TRC Investment Limited, a subsidiary in Mauritius, to acquire additional ordinary shares of ASEAN Potash Mining Public Company Limited at the aggregate of not exceeding 6.30 million shares, par value at Baht 100 per share, at price of Baht 200 per share, total value of Baht 1,260 million from Thermal Trade and Investment Limited. On 15 October 2015, TRC Investment Limited paid the 1st payment for APMC's shares total of Baht 355 million under terms of payment according to Share Sale and Purchase Agreement ("SPA"). Then, on 30 October 2015, APMC's share certificates of 1.78 million shares are transferred to TRC Investment Limited. As a result, TRC Group's shareholding in APMC increased to 13.94% consisting of shareholding by TRC Investment Limited 9.80% and TRC International Limited 4.14% at APMC's current paid-up capital of Baht 1,811 million. The remaining share purchase consideration to be paid no later than 31 March 2016.

- **Results of the 6th Exercise of ESOP Warrants 2**

Newly issued shares from ESOP-W2:

Newly issued shares before Par Split (Par value 0.50 Baht)

Newly issued shares from the 1st- 4th exercise (exercise ratio 1 unit : 1 share) 13,950,833 shares

Newly issued shares after Par Split (Par value 0.125 Baht) 69,754,165 shares

Newly issued shares from the 5th exercise on 30 June 2015 (exercise ratio 1 unit : 5 share) 20,511,010 shares

Newly issued shares from the 6th exercise on 30 September 2015 (exercise ratio 1 unit : 5 share) 19,567,060 shares

Accumulated newly issued shares 109,832,235 shares

Proceeds:

Before Par Split (Par value 0.50 Baht)

Capital increase proceeds from the 1st - 4th exercise (exercise Price 3.03 Baht/share) 42,271,023.99 Baht

After Par Split (Par value 0.125 Baht)

Exercise Price 0.606 Baht/share

Capital increase proceeds from the 5th exercise on 30 June 2015 12,429,672.06 Baht

Capital increase proceeds from the 6th exercise on 30 September 2015 11,857,638.36 Baht

Accumulated capital increase proceeds 66,558,334.41 Baht

Issued and paid-up share capital:

Issued and paid-up capital before the exercise of ESOP-W2 408,293,386.50 Baht

Share capital increased from the 1st - 4th exercise 6,975,416.50 Baht

Share capital increased from stock dividend (4 existing shares per 1 new share) 103,817,200.25 Baht

Issued and paid-up capital before the 5th exercise of ESOP-W2 519,086,003.25 Baht

Share capital increased from the 5th exercise 2,563,876.26 Baht

Share capital increased from the 6th exercise 2,445,882.50 Baht

Issued and paid-up capital at present 524,095,762.00 Baht

- **New Projects Acquired by Sahakarn Wisavakorn**

Projects Awarded during 3rd Quarter of 2015

- Srinakarin to Romklao Road, Phase 1 - Construction the Interchange, linking Srinakarin Road to Kungthep Kreetha Road and Road Construction starting from Srinakarin Road to Klong Hua Mak from Bangkok Metropolitan Administration: The project's work value was Baht 827.76 million with 24-month construction period. The contract was signed on 20 July 2015.
- On 29 July 2015, Hydrotek Sahakarn Joint Venture signed construction contract of project namely "Construction, Improvement and Expansion of Waterworks, Koh Samui Branch, Koh Samui District, Surat Thani Province Phase 1, Part 2" (water pipeline from Don Sak-under the sea-Koh Samui) with Provincial Waterworks Authority. The project's work value was Baht 858.00 million with 540-day construction period. The portion of investment between Sahakarn Wisavakorn Co., Ltd and Hydrotek Public Co., Ltd. was 49% and 51%, respectively.

Project Awarded after the 3rd Quarter of 2015

- Srinakarin to Romklao Road, Phase 1 - Construction of Manholes and Underground Duct Banks from Metropolitan Electricity Authority: The project's work value was Baht 229.17 million with 20-month construction period. The contract was signed on 28 October 2015.
- Srinakarin to Romklao Road, Phase 1 - Construction Plumbing and related tasks from Metropolitan Waterworks Authority: The project's work value was Baht 32.79 million with 20-month construction period. The contract was signed on 6 November 2015.

If such two new projects include to the backlog as at 30 September 2015, the value of uncompleted works will be approximately of Baht 6,884.19 million.



(Mr. Pasit Leesakul)

Chief Executive Officer

11 November 2015